Tozzi, Lauren

Subject: FW: EPA technical assistance to CRS - March 14, 2016

Attachments: EPA Declarations Form, 3520-1.pdf; EMA Response Regarding Downgrading Engines for

Export Final.pdf

From: Levine, Carolyn

Sent: Thursday, March 17, 2016 5:53 PM **To:** Belser, Evan < <u>Belser.Evan@epa.gov</u>>

Cc: Haman, Patricia < Haman. Patricia@epa.gov >

Subject: EPA technical assistance to CRS - March 14, 2016

Hi Evan,

Here you go. Apologies for the delay.

Carolyn Levine
Office of Congressional and Intergovernmental Relations
U.S. EPA
(202) 564-1859
levine.carolyn@epa.qov

From: Levine, Carolyn

Sent: Monday, March 14, 2016 5:45 PM

To: 'BYACOBUCCI@crs.loc.gov' <BYACOBUCCI@crs.loc.gov>

Cc: Haman, Patricia < Haman. Patricia@epa.gov>

Subject: follow up from Friday's technical assistance call

Hi Brent,

Following up on your Friday questions to Pat following our conference call, we have tried to pull together responses as best we could. We apologize for the lateness of the reply, but your questions involved input from several offices.

As a general matter, we wanted to stress that in compliance and enforcement matters, the EPA treats all EPA-certified, non-exempt vehicles as subject to the tampering prohibitions. We understand your interest in a pre-existing statement that is as explicit on the issue of competition as is the language in the July NPRM. EPA has been explicit in prior presentations to SEMA, in the 1991 fact sheet, and in announcing the Casper's settlement. While these are not necessarily styled as "policy statements," the EPA does not issue policy statements outlining every factual scenario we consider to be illegal tampering. For example, we never had a direct policy statement about whether there is an exemption to the prohibition on tampering EPA-certified motor vehicles on the basis that the tampered vehicle will be exported from the United States. That is, until recently when we responded to an industry letter asking whether such an exemption exists (see attached). We determined there is no exemption because (i) the tampering prohibition plainly applies, (ii) there is no exemption codified anywhere and (iii) a motor vehicle is not defined by how (or where) it is used. We are not aware of any industry request seeking clarification on whether there is a tampering exemption on the basis that the tampered vehicle will be used solely for competition. The topic comes up in the context of enforcement cases, however the matter has not been adjudicated.

Lastly, the following article may be useful as an overview of the issue, as stated on a website for the racing community: http://www.thedrive.com/article/2137/epa-clarifies-its-position-on-race-cars-internet-freaks-out

Here are your questions followed by our responses:

Thanks for the time yesterday, and for sending these documents. But there are some things I am still looking for clarification on. Questions are in bold. Please keep in mind that I am looking for explicit, plain-English statements of policy. It is not my job to adjudicate anyone's interpretation of statutory or regulatory language. Similarly, I'm not here to gauge congressional intent.

In the 2010 SEMA presentation, there are slides on racing vehicle determinations (slides 10 and 11). From those slides, one could reasonably interpret that if I "extensively modify," etc. my motor vehicle and not register it for use on public roads, that I could potentially have EPA determine it is a racing vehicle. As I have understood the rules/regs., that only applies to new and/or imported racing vehicles, not modified, certified motor vehicles. Has EPA ever explicitly stated that? For example, has EPA ever rejected anyone who TRIED to have EPA determine that their motor vehicle is now a racing vehicle and thus exempt?

A: We have not yet been able to definitively confirm, but we do not believe that there are any instances of an individual seeking an exemption for a competition vehicle where that vehicle was initially manufactured as an EPA-certified motor vehicle.

For rules subject to section 307(d) of the CAA, section 307(d)(3) specifies what must be included in the record for the proposed rule, including the factual data on which the proposed rule is based, the methodology used in collecting and analyzing the date, and the major legal interpretations and policy considerations underlying the proposed rule.

2. Similarly, is there a form for new/imported racing vehicles that states that certified motor vehicles are not eligible?

A: EPA Declaration Form 3520-1, is attached. It is used for importing a vehicle/engine into the United States. One of the possible exclusions is "Code L – racing vehicles" on the form, which states.

"racing vehicle as determined by EPA and may not be registered or licensed for use on a or operated on public roads or highways (40 CFR 85.1511(e)). EPA letter of approval must be attached to this form."

To import a vehicle that is a racing vehicle for use on the track, the importer must get specific approval from EPA, in writing. We have not yet been able to confirm that determining if the vehicle was ever a "certified motor vehicle" is part of the criteria.

3. Most of the documents state what can't be done to motor vehicles, but that is not the crux of my question. Yes, it is illegal to tamper with a motor vehicle. But is there any way a motor vehicle can become something other than a motor vehicle? The 1991 document says that a motor vehicle can't become a non-road vehicle, but, by definition, competition vehicles are not non-road vehicles. Thus, before 2015, has EPA ever clearly stated that a motor vehicle can never become a competition vehicle?

A: The 1991 Fact Sheet says one can't decertify a motor vehicle for "off-road" use. From at least 1970 to 1990, "Off-road" was the common way to distinguish vehicles that were *not* subject to the Act from those "motor vehicles" that were. The 1990 Act extended the jurisdiction over "nonroad" vehicles, which was defined as all "off road" vehicles (that is, not "motor vehicles") except those used solely for competition. CAA section 216. So, what this fact sheet is saying is that you're still not allowed to tamper an EPA-certified motor vehicle when you'll thereafter only use it "off-road"--that is, as a "nonroad vehicle" or as a competition vehicle. While this statement is broader than just the issue of competition, it's a plain statement that, when it comes to tampering, the end does not justify the means. Of course, the Act itself plainly prohibits all tampering on EPA-certified motor vehicles, and makes no exemption based on subsequent use of the vehicle."

This fact sheet was in the context of adopting the 1990 amendments. These amendments made the tampering and defeat device prohibitions more strict insofar as they prohibited, for the first time: (i) a prohibition against individuals for tampering (in addition to manufacturers) and (ii) a prohibition against manufacturing and selling defeat devices. Before the 1990 amendments, in order to enforce against a defeat device manufacturer, the EPA needed to prove that manufacturer's devices were actually used by the buyer or someone else to tamper a vehicle. Congress thought that required "an indirect and cumbersome method of proof," and therefore created CAA § 203(a)(3)(B) in 1990 to "clearly prohibit the manufacture, sale, or offering for sale of such devices where it is known or should be known that they will be used for tampering." S. Rep. No. 101-228, at 124 (1989), reprinted in 1990 U.S.C.C.A.N. 3385, 3509. The "Exhaust System Repair Guidelines," along with a concurrent "Engine Switching" fact sheet (https://www.epa.gov/sites/production/files/documents/engswitch_0.pdf) publicly amplified the 1990 statutory revisions, and made abundantly clear what counts as illegal tampering.

A few more questions: For the nonroad motorcycle competition exemption – assuming the owner has done everything according to the guidance (destroyed the emissions label, etc.), is training considered part of the exemption? Or is a separate, non-exempt bike necessary for training purposes?

A: We are not sure we understand the question, but we can confirm that there are no training requirements.

Also, as I understand it, the motorcycle exemption is on the honor system. Is that correct, or is there some sort of registration/database at EPA for these conversions?

A: There is no registration or database for nonroad competition conversions under 1068.235.

Please let Pat or me know if you have further questions.

-------Carolyn Levine
Office of Congressional and Intergovernmental Relations
U.S. EPA
(202) 564-1859
levine.carolyn@epa.gov

Begin forwarded message:

From: "Yacobucci, Brent" < BYACOBUCCI@crs.loc.gov>

Date: March 12, 2016 at 11:45:33 AM EST

To: "'haman.patricia@epa.gov'" <haman.patricia@epa.gov>, "'belser.evan@epa.gov'"

<belser.evan@epa.gov>

Subject: FW: Documents discussed and requested on today's technical assistance call

A few more questions: For the nonroad motorcycle competition exemption – assuming the owner has done everything according to the guidance (destroyed the emissions label, etc.), is training considered part of the exemption? Or is a separate, non-exempt bike necessary for training purposes?

Also, as I understand it, the motorcycle exemption is on the honor system. Is that correct, or is there some sort of registration/database at EPA for these conversions?

From: Yacobucci, Brent

Sent: Saturday, March 12, 2016 9:43 AM

To: 'Haman, Patricia'; 'belser.evan@epa.gov'

Subject: RE: Documents discussed and requested on today's technical assistance call

Patricia or Evan,

Thanks for the time yesterday, and for sending these documents. But there are some things I am still looking for clarification on. Questions are in bold. Please keep in mind that I am looking for explicit, plain-English statements of policy. It is not my job to adjudicate anyone's interpretation of statutory or regulatory language. Similarly, I'm not here to gauge congressional intent.

- 1. In the 2010 SEMA presentation, there are slides on racing vehicle determinations (slides 10 and 11). From those slides, one could reasonably interpret that if I "extensively modify," etc. my motor vehicle and not register it for use on public roads, that I could potentially have EPA determine it is a racing vehicle. As I have understood the rules/regs., that only applies to new and/or imported racing vehicles, not modified, certified motor vehicles. Has EPA ever explicitly stated that? For example, has EPA ever rejected anyone who TRIED to have EPA determine that their motor vehicle is now a racing vehicle and thus exempt?
- 2. Similarly, is there a form for new/imported racing vehicles that states that certified motor vehicles are not eligible?
- 3. Most of the documents state what can't be done to motor vehicles, but that is not the crux of my question. Yes, it is illegal to tamper with a motor vehicle. But is there any way a motor vehicle can become something other than a motor vehicle? The 1991 document says that a motor vehicle can't become a non-road vehicle, but, by definition, competition vehicles are not non-road vehicles. Thus, before 2015, has EPA ever clearly stated that a motor vehicle can never become a competition vehicle?

Thanks for the time and your help on this matter.

Regards,

Brent

Brent D. Yacobucci
Research Manager - Energy and Minerals Section
Congressional Research Service
byacobucci@crs.loc.gov
w) 202-707-9662
f) 202-707-7289

From: Haman, Patricia [mailto:Haman.Patricia@epa.gov]

Sent: Friday, March 11, 2016 7:25 PM

To: Yacobucci, Brent **Cc:** Levine, Carolyn

Subject: Documents discussed and requested on today's technical assistance call

Brent: As discussed today, here are the 3 power point presentations made at SEMA meetings; fact sheets and FR notices dating back to the 1970's; and a document we pulled together highlighting the relevant/controversial pages in the Heavy Duty Vehicle proposal.

Additionally, here are links to the 3 cases our enforcement staff referred to:

Cases: Caspers (http://www.epa.gov/enforcement/caspers-electronics-inc-clean-air-act); Edge (http://www.epa.gov/enforcement/edge-products-llc-settlement); H&S (http://www.epa.gov/enforcement/2016-clean-air-act-vehicle-and-engine-enforcement-case-resolutions).

Please let us know if you have any questions.

Pat and Carolyn

Patricia Haman Office of Congressional Affairs U.S. EPA 202-564-2806



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

NATIONAL VEHICLE AND FUEL EMISSIONS LABORATORY 2565 PLYMOUTH ROAD ANN ARBOR, MICHIGAN 48105-2498

> OFFICE OF AIR AND RADIATION

February 1, 2016

Mr. Jed R. Mandel President EMA, Truck & Engine Manufacturers Association 333 West Wacker Drive, Suite 810 Chicago, IL 60606

Dear Mr. Mandel:

Thank you for your letter dated May 29, 2013, regarding the practice of "downgrading" an engine for purposes of exporting. I understand your view to be that "downgrading" is necessary "when a U.S. EPA certified engine is sold or relocated for use outside the United States and where fuels, oils or other issues make the operation of use of that engine in its original configuration impractical or highly problematic."

Initially, I want to state that EPA agrees with your interpretation of Section 203(a)(3)(A) of the Clean Air Act (the Act). According to this section, it is a prohibited act "for any person to remove or render inoperative any device or element of design installed on or in a motor vehicle or motor vehicle engine in compliance with regulations under this subchapter prior to its sale and delivery to the ultimate purchaser, or for any person knowingly to remove or render inoperative any such device or element of design after such sale and delivery to the ultimate purchaser."

Additionally, you are correct in stating that Section 203(b)(3), which provides an exemption from the requirements of Section 203(a), is only applicable to "a <u>new</u> motor vehicle or <u>new</u> motor vehicle engine intended solely for export..." (emphasis added). Indeed, EPA has regulations that allow engine manufacturers to build new engines that do not meet EPA's emission standards provided that the engine is labeled for export only. (See 40 CFR 1068.230).

After careful consideration, EPA would like to provide the following response in regard to the practice of "downgrading" engines for the purpose of exporting them. The proposed actions referred to as "downgrading" would constitute prohibited tampering under section 203(a)(3) for which no exemption exists. Further, we do not think that "downgrading" would make certified motor vehicles "new" as that term is defined by section 216(3) of the Act, 42 U.S.C. § 7550(3). As stated in your letter, under existing regulations engine manufacturers are allowed to build a "new" engine that does not meet EPA's emission standards, provided that the engine is labeled for export only. Because "downgraded" engines non-new or used engines would not be new, such regulations are not analogous. As such, the practice of downgrading non-new or used

engines within the United States for export, even with relabeling of the engine, would be contrary to the Act and EPA's implementing regulations.

If you have further questions, please do not hesitate to contact me or my staff.

Sincerely,

Byron J. Bunker, Director

Am J. Br

Compliance Division

Office of Transportation and Air Quality



United States Environmental Protection Agency Declaration Form

Importation of Motor Vehicles and Motor Vehicle Engines Subject to Federal Air Pollution Regulations

U.S. E.P.A., Compliance Division, 2000 Traverwood Drive, Ann Arbor, MI 48105 www.epa.gov/otaq/imports Phone (734) 214-4100 Fax (734) 214-4676

This form must be submitted to the U.S. Customs and Border Protection (Customs) (42 USC 7522, 7601: 19 CFR 12.73) for each motor vehicle (including motorcycles, disassembled vehicles, kit cars, light-duty vehicle/motorcycle engines) imported into the U.S., except that this form is not required for motor vehicles that are imported by their original manufacturer and are new and are covered by an EPA certificate of conformity and bear an EPA emission control label. One form per shipment may be used, with attachments including all information required to fully describe each vehicle or engine as below. Check the box below indicating the provisions under which you are importing this vehicle or engine. Offroad vehicles/engines and heavy-duty engines must use form 3520-21. Note: Although only imports using codes G, I, K, L, M-3, and O require specific written authorization from EPA, Customs may request EPA review of importer documentation and eligibility for any import using this form. A nonconforming vehicle that is ineligible for the exemptions or exclusions listed below, must be imported through an independent commercial importer (ICI) under codes A, C, J, or Z. For codes A, C, J, and Z, EPA does not authorize the release to the vehicle owner.

Penalties: Any person who knowingly makes any false or fraudulent statement, or omits or conceals a material fact can be fined up to \$250,000 or imprisoned for up to 5 years, or both (18 USC 1001). Any person who improperly imports a motor vehicle (including a motorcycle) or engine may be fined up to \$32,500 per vehicle or engine (42 USC 7524), and may be subject to forfeiture of the entire importation bond, if applicable (40 CFR 85.1513), and the USC fustoms Service may seize the vehicle or engine (19 CFR 162.21)

U.S.Customs Ser	vice may seiz	e the v	ehicle or engine (19 CFR	162.21).		
Descrip	tion and De	clarati	on of Motor Vehicle or	Motor Vehicl	e Engine (Note	: Heavy-duty Engines must use form 3520-21)
1. Port code:	2. Entry date: (mm/dd/yyyy)		3. Customs entry number:		4. Vehicle Identification Number (VIN), or engine serial number:	
5. Manufacture date (mm/yyyy):		6. Manufacture (make):		7. Model:		
8. ICI imports only, codes A, C, J, Z:					9. EPA Exemption Number, required for codes L, G, I, K, O:	
information, or for o	concealing a	materia	I fact. The information I h	oose of this formation	m, the penalties for correct, and all i	Relevant Parties or falsely declaring information, or for providing misleading required attachments are appended to this form. I authorize in the owner, importer, or agent for the owner or importer.
10. Importer (code B: must be certificate holder or their agent for shipments of new vehicles prior to introduction into commerce; codes A, C, J, Z: must be ICI):		11. Owner:		12. Storage contact:		13. Signature:
						14. Date:
						15. Name, company and phone (type or print):
			U.S. co	nforming and	l "identical" vel	nicles
code B - U.S. in English.	. certified -	unmo	dified vehicle bearing a	a U.S. EPA er	mission control	label in engine compartment (or on motorcycle frame)
restrictor were rem or replaced after in unleaded gasoline	noved or dam mportation. If e, (2) the cata	aged. T leaded lyst and	he importer attests that the gasoline was used, the i	he catalyst and mporter attests were left on the	l oxygen sensors s that after import e vehicle during u	cept that the catalyst, oxygen sensors or fuel filler neck and fuel filler neck restrictor, as applicable, will be re-installed ation (1) the fuel tank will be drained and refilled with use of the leaded gasoline, will be replaced, and (3) the fuel uired.
label, registration of list of Canadian "ic terhead (not a dea	or title, or lett dentical" mod aler or mecha	er from els, or 2 nic) sta	the U.S. or Canadian ma 2) vehicle from any counting that the vehicle is ide	nufacturer repr ntry with letter entical to a U.S	resentative on let attached to this f EPA certified ve	an vehicle (proof required e.g. Canadian emission control terhead verifying manufacture for sale in Canada) on EPA orm from the manufacturer's U.S. representative on letration with respect to emissions. The importer attests that dian vehicles for resale, use code FF.
						as described above appearing on EPA list of Canadian y applicable labeling, warranty and CAFÉ requirements as
				Annual Control of the	ted vehicles	
ing to the U.S. or v	vill reside in t	he U.S.		r under a work	er or student visa	frequired) and the importer is either permanently emigrat, , or 2) Canadian vehicle received by U.S. resident through ttached to this form.
either exempted or	r excluded fro	m EPA	emission requirements,	depending on a	age. Vehicles at I	importation) and in original unmodified configuration is east 21 years old with replacement engines are not eligible require proof of vehicle age.



United States Environmental Protection Agency

Excluded vehicles						
code L - racing vehicle as determined by EPA and may not be registered or licensed for use on or operated on public roads or highways (40 CFR 85.1511(e)). EPA letter of approval must be attached to this form.						
code U -2005 model year (or older) motorcycle, scooter or moped with engine displacement less than 50cc and with rated speed greater than 5000 rpm.						
code W - non-chassis-mounted engine to be used in a light-duty vehicle or light-duty truck or motorcycle which is currently covered by an EPA certificate or will be covered by an EPA certificate prior to introduction into commerce.						
code Y - unregulated fuel - a vehicle that: (1) for model years earlier than 1991 operates on fuel other than gasoline or diesel fuel, or (2) for 1991- 1996 model years operates on fuel other than gasoline or diesel or methanol fuel, or (3) for 1997 and later model years operates on fuel other than gasoline or diesel or methanol or ethanol or compressed natural gas (CNG) or liquid petroleum gas (LPG), including propane. This exemption does not apply to 2004 and later model year vehicles.						
Temporary imports						
code G - imported for repair or alteration in accordance with 40 CFR 85.1511(b)(1). May not be registered or licensed for use on, or operated on public roads or highways, or sold or leased in the U.S. Customs bond required. EPA requests that the vehicle be bonded for at least its full value. EPA letter of approval must be attached to this form.						
code I - imported for testing purposes in accordance with 40 CFR 85.1511(b)(2). May not be registered or licensed for use on or operated on public roads or highways (except operation that is integral to the purpose of the testing program) or sold or leased in the U.S. Customs bond required. EPA requests that the vehicle be bonded for at least its full value. EPA letter of approval must be attached to this form.						
code K - imported for display (solely for public or business purposes, and not for private purposes or U.S. market sales promotions) in accordance with 40 CFR 85.1511(b)(4). May not be registered or licensed for use on or operated on public roads or highways (except operation that is integral to the purpose of the display) or sold or leased in the U.S. Customs bond required. EPA requests that the vehicle be bonded for at least its full value. EPA letter of approval must be attached to this form.						
code N - imported for up to one year by member of the armed forces or personnel of a foreign government on assignment to the U.S., for whom free entry has been authorized in writing by the U.S. Department of State, or a member of the armed forces of a foreign country with official orders for duty in the U.S.						
code O - imported by nonresident for personal use by an individual for a period up to a year. EPA letter of approval must be attached to this form.						
Independent commercial importer (ICI) imports						
code A - imported by an ICI for modifications in accordance with a valid EPA certificate of conformity issued for the specific make, model, and model year in accordance with 40 CFR 85.1505.						
code C - imported by an ICI for modification and testing in accordance with 40 CFR 85.1509. Vehicle must be at least 6 years old.						
code J - imported by an ICI for the purpose of pre-certification testing in order to obtain an EPA certificate of conformity. No EPA approval is required. The ICI has 180 days to obtain a certificate or export (40 CFR 85.1511(b)(3)). Customs bond required.						
code Z - imported by an ICI for the purpose of modifying to be identical to an original equipment manufacturer (OEM) certified version in accordance with written instructions from the OEM that are specific to the vehicle being imported.						
OEM imports						
code H - imported, owned, and controlled directly by an original equipment manufacturer (OEM) on EPA list of OEM certificate holders provided to Customs, for research, development or testing purposes in accordance with 40 CFR 85.1706. This is a temporary exemption without time limit. If the vehicle is subsequently covered by an applicable EPA certificate of conformity, it is released from the restrictions of this exemption.						
code Q - imported, owned, and controlled directly by an original equipment manufacturer (OEM) on EPA list of OEM certificate holders provided to Customs, for storage pending receipt of the applicable EPA certificate of conformity, which is pending and imminent. Use of this code is no longer permitted once EPA has issued the applicable certificate of conformity.						
U.S. Department of Transportation Requirements						
Note: Importers of vehicles that are primarily manufactured for use on public roads must also file an HS-7 Declaration form to identify the basis for the vehicle's admission under the laws administered by the U.S. Department of Transportation. For more information, see www.nhtsa.dot.gov/cars/rules/import/.						

Paperwork Reduction Act Notice

This information is collected to ensure that motor vehicles and engines imported into the U.S. conform with applicable emission requirements. Responses to this collection are mandatory (40 CFR 85.1501 et seq., and Clean Air Act Sections 203 and 208). Information submitted to the Agency under a claim of confidentiality will be safeguarded according to policies set forth in Title 40, Chapter 1, Part 2, Subpart B. The public reporting and recordkeeping burden for this collection of information is estimated to average 30 minutes per response. Burden means the total time, effort, or financial resources expended by persons to generate, maintain, retain, or disclose or provide information to or for a Federal agency. This includes the time needed to review instructions; develop, acquire, install, and utilize technology and systems for the purposes of collecting, validating, and verifying information, processing and maintaining information, and disclosing and providing information; adjust the existing ways to comply with any previously applicable instructions and requirements; train personnel to be able to respond to a collection of information; search data sources; complete and review the collection of information; and transmit or otherwise disclose the information. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. Send comments on the Agency's need for this information, the accuracy of the provided burden estimates, and any suggested methods for minimizing respondent burden, including through the use of automated collection techniques to the Director, Collection Strategies Division, U.S. Environmental Protection Agency (2822), 1200 Pennsylvania Ave., NW, Washington, D.C. 20460. Include the OMB control number in any correspondence. Do not send the completed form to this address.